meet the needs of its own existing customer base.[13] Already, six states have expressly denied US West's petition to grandfather CENTREX, citing its anticompetitive character.[14]

In December of 1995, Ameritech included a billing insert for customers in each of its states that ostensibly offered protection against slamming. The inserts declared: "While Ameritech can do nothing to resolve the problem after your long-distance service has been slammed, we can easily protect you before it happens." Customers were promised that, if they filled out and returned the enclosed form: "Ameritech will not permit any changes to your account unless you notify us by phone or in writing of your desire to make changes." Ameritech's so-called "Don't Get Slammed" campaign was misleading and blatantly anticompetitive. The purported slamming protection not only applied to a customer's selection of an interLATA carrier, it also froze their intraLATA and local carriers (though the insert itself never revealed this aspect of the program). New local competitors of Ameritech would have to ask every potential customer with slamming protection to call or write Ameritech to switch local carriers — a process that internal Ameritech memoranda expected to minimize "customer defection." The Michigan Public Service Commission condemned Ameritech's

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13/ Under the terms of the petition, US West's own CENTREX customers also would have been insulated from the marketing efforts of competitors.

14/ These states include Colorado, Iowa, Oregon, South Dakota, Utah, and Wyoming. Arizona has reportedly ignored the petition, while other states are currently deliberating. Only Idaho and Nebraska have granted the petition. Yet, these are hollow victories for US West because the number of CENTREX subscribers, and local competitors, in those states is minuscule. Most likely, few parties rose to challenge US West's petition in Idaho and Nebraska and, with the relatively minor number of CENTREX subscribers there, the public utility commissions were not moved to strike down US West's petition.

actions, ordering it to apply slamming protection only to customers' interLATA carriers (as actually described in the billing insert) and to send out a "corrective" billing insert.[15]

Upon entry into in-region long distance markets, BOCs seem predisposed to leverage their market power in the local services market to gain an unfair competitive advantage in other markets. Being monopolists of local exchange markets, BOCs have unique access to information about customers and traffic patterns to facilitate expanding into adjacent markets that cannot be duplicated by competitors. For instance, Bell Atlantic recently offered customers who possess a second line the opportunity to receive discounted Internet service (see Attachment 2). Since it is not the local telephone company, an Internet competitor could not make a similar offer, nor could it identify which customers had second telephone lines used for data traffic. Absent effective competition in local service markets, BOCs could use similar tactics in the long distance market. For example, BOCs could offer reduced long distance charges for customers who subscribe to more than one line, knowing that such customers tend to be heavy long distance users.

In providing essential access and interconnection services to customers, BOCs can influence customer perceptions of a long distance competitor's quality of service in any of the following ways:

- provisioning service for competitors in an erratic and untimely manner;
- neglecting to restore competitors' service rapidly during outages;
- refusing to offer network capabilities sought by interconnectors;

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[15] *Sprint Communications, L.P. v. Ameritech Michigan*, Case No. U-11038 (Mich. P.S.C. Aug. 1, 1996) (published in 171 P.U.R.4th 429).

- failing to accommodate interconnectors' architecture requirements;
- withdrawing network facilities that are better used by competitors;
- focusing design efforts on network features that are most valuable to the long distance divisions of BOCs; and
- declining to help interconnectors experiment with new technology.

III. BOC ENTRY INTO INTEREXCHANGE MARKETS IS APPROPRIATE ONLY WHEN A BOC CANNOT LEVERAGE ITS CONTROL OVER ESSENTIAL FACILITIES TO GAIN AN UNFAIR COMPETITIVE ADVANTAGE OR DISADVANTAGE COMPETITORS

When should BOCs be allowed to compete in interexchange markets? Simply stated, BOCs should be allowed to compete in interexchange markets when they cannot leverage their control over essential facilities -- typically access services and access to essential unbundled local network elements -- to gain an unfair competitive advantage or otherwise use their control over these essential local facilities to disadvantage competitors. Obviously, the Telecommunications Act sets up a statutory framework for ensuring that the BOCs cannot leverage control over essential facilities to disadvantage competitors and creates the possibility of entry into interexchange and equipment markets as an economic incentive for BOCs to comply with the statutory mandate. The Department should be careful to preserve the Congressional incentive structure until it has served its purpose. If BOC entry is granted too soon before local competition takes root, BOCs lose the incentive to cooperate with the development of local telephone competition.[16/] So far, local competitors have negotiated

[16/] GTE has the authority to provide long distance services. GTE's reluctance to enter (continued...)

interconnection agreements with various BOCs, but have yet to enter local exchange markets to any significant degree. Resale of local service, provision of competing local service through the use of unbundled loops or the provision of competing local through existing cable television or electric utility networks have not yet been universally deployed and made available to consumers.[17] BOCs have virtually no track record of actually implementing the provisions of their interconnection agreements.[18] The Department should give the interconnection agreements a "shake-down cruise." That is, it should wait for local competition to develop before it opines whether BOCs have complied with their half of the bargain implicit in the Telecommunications Act.

16/ (...continued)
into interconnection agreements and conclude comprehensive agreements may illustrate how difficult interconnection negotiations with the BOCs would be if they did not have the prospects of interLATA long distance entry as a reward for concluding an interconnection agreement.

17/ For example, MFS currently buys loops from New York Telephone Company ("NYT") in New York City. Over the last two years, MFS has leased only about 5,000 loops. This operation is tiny (though it is probably the largest such endeavor in the country) and should not be the basis for assessing NYT's compliance with Section 271 of the Communications Act. NYT would probably concur, for MFS has experienced grave and severe problems with the service quality and timely provisioning of unbundled loops.

18/ For example, no one knows whether BOCs will act in good faith to provide competitors with the same levels of service quality and timely provisioning that their own customers receive.

IV. The Implementation Details of BOC Compliance with Section 271 Have Not Been Resolved

Naturally, a BOC application to enter in-region long distance markets should at least satisfy the statutory checklist of Section 271(c)(2)(B) of the Communications Act. However, there are still a large number of technical implementation details that need to be resolved if the Section 271 checklist is to be properly applied. In many areas, technical electronic interfaces for interconnection between the BOCs and competitors have not been written, deployed or tested. For example, no details of the processes by which BOCs would test their switches to ensure that the NXX codes used by competitors have been loaded properly have been developed or deployed. In order that the provisions of Section 271 are implemented, it is critical that regulators -- including the Department -- develop mechanisms to ensure that the technical details of interconnection are addressed.[19]

Conclusion

For the reasons described above, MFS recommends that the Department carefully consider the competitive risks associated with BOC entry into long distance markets. So long as they control essential access services, they will have the ability to leverage that control to harm long distance competition if allowed to enter the long distance market on a vertically integrated basis. In addition, if they are allowed into the long distance market on a vertically integrated basis, that will create incentives to restrict the development of local service

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[19] See Comments of ALTS filed with the Department in this proceeding for some of the details that should be addressed.

competition since local service competitors, like MFS, reduce the BOCs' ability to leverage essential access services. In no instance should BOCs be allowed to provide interLATA long distance services until they have complied with the statutory requirements of Sections 271 and 272 (including the necessary technical implementation details), and until competitive alternatives to their essential services are universally available.

As described above, MFS believes that BOCs can quickly enter the long distance market by spinning-off their local loop facilities from the other, more competitive operations and functionalities. In doing so, the BOCs can address the anticompetitive incentives that arise from the vertically integrated provision of essential local and long distance services as well as number of other policy issues.

Respectfully submitted

David N. Porter
Vice-President, Government Relations
MFS Communications Company, Inc.
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
(202) 424-7709

Andrew D. Lipman
Mark P. Sievers
SWIDLER & BERLIN, Chartered
3000 K Street, N.W., Suite 300
Washington, D.C. 20007
(202) 424-7872 (voice)
(202) 424-7647 (FAX)

ATTACHMENT 1 -- LOOP PRICES PROPOSED BY SOUTHWESTERN BELL IN MISSOURI

SWB's Rebuttal Testimony September 4, 1996 (Bailey Schedule 1-1)	Monthly Rate		Non-recurring charges	
Unbundled Loops				
8db loops				
Zone 3	$43.10		$53.20 + $22.65 Add'l loops	
Zone 2	$27.40		$53.20 + $22.65 Add'l loops	
Zone 1	$17.15		$53.20 + $22.65 Add'l loops	
5 db loops (8db loop + conditioning)				
Zone 3	$50.05		$99.65 + $40.15 Add'l loops	
Zone 2	$34.35		$99.65 + $40.15 Add'l loops	
Zone 1	$24.10		$99.65 + $40.15 Add'l loops	
Basic Rate Interface 2-wire				
Zone 3	$85.30		$117.80 + $61.65 Add'l loops	
Zone 2	$60.35		$117.80 + $61.65 Add'l loops	
Zone 1	$44.90		$117.80 + $61.65 Add'l loops	
Primary Rate Interface 4-wire				
Zone 3	$168.95		$278.65 + $110.00 Add'l loops	
Zone 2	$153.85		$278.65 + $110.00 Add'l loops	
Zone 1	$136.75		$278.65 + $110.00 Add'l loops	
Loop Cross Connects				
Analog Loop	Same C.O.	Different C.O.	Same C.O.	Different C.O.
2-wire	$2.15	$5.10	$71.25	$104.85
4-wire	$4.25	$6.85	$84.35	$122.95
Digital Loop				
2-wire	$2.15	$12.20	$71.25	$104.85
4-wire	$11.45		$104.85	
Connection to SWB Multiplexer				
Analog 2-wire	$5.10		$140.70	
Analog 4-wire	$6.85		$145.70	
Digital 2-wire	$12.20		$140.70	

Attachment 2

Bell Atlantic Internet Promotional Materials

Opposition of WorldCom, Inc.
Southwestern Bell
Oklahoma
Attachment 2

Bell Atlantic

Internet Solutions, Inc
Avenue

WV 25401 9934

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Southwestern Bell
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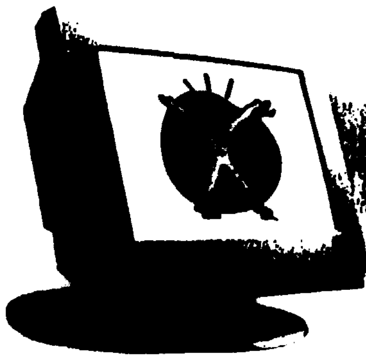
Attachment 2



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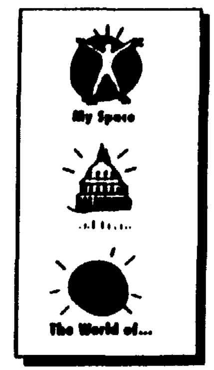

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